(6) *Examples.* The application of the special 10-percent limitation and the general 20-percent limitation on contributions by individuals may be illustrated by the following examples:

Example 1. A, an individual, reports his income on the calendar year basis and for the year 1957 has an adjusted gross income of $10,000. During 1957 he made the following charitable contributions:

1. Contributions qualifying for the additional 10-percent deduction under section 170(b)(1)(A)	$2,400	
2. Other charitable contributions	700	
3. Total contributions paid	3,100	
		Deductible contributions
4. Contributions qualifying for the additional 10-percent deduction under section 170(b)(1)(A)	2,400	
5. Special limitation under section 170(b)(1)(A): 10 percent of adjusted gross income	1,000	
6. Deductible amount: line 4 or line 5, whichever is the lesser		$1,000
7. Excess of line 4 over line 5	1,400	
8. Add: Other charitable contributions	700	
9. Contributions subject to the general 20-percent limitation under section 170(b)(1)(B)	2,100	
10. Limitation under section 170(b)(1)(B): 20 percent of the adjusted gross income	2,000	
11. Deductible amount: line 9 or line 10, whichever is the lesser		2,000
12. Contributions not deductible	100	
13. Total deduction for contributions		3,000

Example 2. B, an individual, reports his income on the calendar year basis and for the year 1957 has an adjusted gross income of $10,000. During 1957 he made the following charitable contributions:

1. Contributions qualifying for the additional 10-percent deduction under section 170(b)(1)(A)	$700	
2. Other charitable contributions	2,400	
3. Total contributions paid	3,100	
4. Contributions qualifying for the additional 10-percent deduction under section 170(b)(1)(A)	700	
5. Limitation described in section 170(b)(1)(A): 10 percent of the adjusted gross income	1,000	
6. Deductible amount: line 4 or line 5, whichever is the lesser		$700
7. Excess of line 4 over line 5	0	
8. Add: Other charitable contributions	2,400	
9. Contributions subject to the general 20-percent limitation under section 170(b)(1)(B)	2,400	
10. Limitation under section 170(b)(1)(B): 20 percent of the adjusted gross income	2,000	
11. Deductible amount: line 9 or line 10, whichever is the lesser		2,000
12. Contributions not deductible	400	
13. Total deduction for contributions		2,700

(c) *Unlimited deduction for individuals*—(1) *In general.* (i) The deduction for charitable contributions made by an individual is not subject to the 10- and 20-percent limitations of section 170(b) if in the taxable year and each of 8 of the 10 preceding taxable years the sum of his charitable contributions paid during the year, plus his payments during the year on account of Federal income taxes, is more than 90 percent of his taxable income for the year (or net income, in years governed by the Internal Revenue Code of 1939). In determining the applicability of the 10- and 20-percent limitations of section 170(b) for taxable years beginning after December 31, 1957, there may be substituted, in lieu of the amount of income tax paid during any year, the amount of income tax paid in respect of such year, provided that any amount

so included for the year in respect of which payment was made shall not be included for any other year. For the purpose of the first sentence of this paragraph, taxable income under the 1954 Code is determined without regard to the deductions for charitable contributions under section 170, for personal exemptions under section 151, or for a net operating loss carryback under section 172. On the other hand, for this purpose net income under the 1939 Code is computed without the benefit only of the deduction for charitable contributions. See section 120 of the Internal Revenue Code of 1939. The term *income tax* as used in section 170(b)(1)(C) means only Federal income taxes, and does not include the taxes imposed on self-employment income, on employees under the Federal Insurance Contributions Act, and on railroad employees and their representatives under the Railroad Retirement Tax Act by Chapters 2, 21, and 22, respectively, or corresponding provisions of the Internal Revenue Code of 1939. For purposes of section 170(b)(1)(C) and this paragraph, the amount of income tax paid during a taxable year shall be determined (except as provided in subdivision (ii) of this subparagraph) by including all payments made by the taxpayer during such taxable year on account of his Federal income taxes (whether for the taxable year or for preceding taxable years). Such payments would include any amount paid during the taxable year as estimated tax (exclusive of any portion of such amount for taxable years beginning after December 31, 1966, which is attributable to the self-employment tax imposed by chapter (2) for that year, payment of the final installment of estimated tax (exclusive of any portion of such installment, for taxable years beginning after December 31, 1966, which is attributable to the self-employment tax imposed by chapter 2) for the preceding taxable year, final payment for the preceding taxable year, and any payment of a deficiency for an earlier taxable year, to the extent that such payments do not exceed the tax for the taxable year for which payment is made. Any payment of income tax with respect to which the taxpayer receives a refund or credit shall be reduced by the amount of such refund or credit. Any such refund or credit shall be applied against the most recent payments for the taxable year in respect of which the refund or credit arose.

(ii) For any taxable year beginning after December 31, 1957, the applicability of the 10- and 20-percent limitations of section 170(b) may be determined either with reference to the income tax paid during the year or any prior year, or with reference to the income tax paid in respect of any such year or prior years. The 90-percent test of section 170(b)(1)(C) may be applied for the taxable year, or for any one or more of the preceding 10 taxable years, by taking into account the income taxes paid in respect of that year or years, and for the balance of the 10 years by taking into account the income tax payments made during those years. Thus, a taxable year which qualifies under either of the two permissible methods shall be considered as a qualifying year irrespective of whether the taxable year begins before or after December 31, 1957. However, a particular income tax payment may only be taken into account once, either with respect to the year of liability or for the year of payment.

(2) *Joint returns*—(i) *Joint return for current taxable year.* If a husband and wife make a joint return for any taxable year, their deduction for charitable contributions is not subject to the 10- and 20-percent limitations of section 170(b), if, under the rules of subparagraph (1) of this paragraph, in the taxable year and in each of 8 of the 10 preceding taxable years (regardless of whether separate or joint returns were filed), the aggregate charitable contributions of both spouses paid during the year, plus their aggregate payments during the year on account of Federal income taxes (or, if the taxable year begins after December 31, 1957, the aggregate tax paid in respect of such taxable year or any preceding taxable year) exceed 90 percent of their aggregate taxable incomes for the year.

(ii) *Separate return by spouse or by unremarried widow or widower.* If a spouse, or the unremarried widow or widower of a deceased spouse, makes a separate return for any taxable year,

his deduction for charitable contributions is not subject to the 10- and 20-percent limitations of section 170(b), if, under the rules of subparagraph (1) of this paragraph, in the taxable year and each of 8 of the 10 preceding taxable years:

(a) For which the taxpayer filed a joint return with his spouse, either their aggregate charitable contributions and payments of Federal income taxes made during the taxable year (or if the taxable year begins after December 31, 1957, made in respect of such taxable year or any preceding taxable year) exceed 90 percent of their aggregate taxable income for that year, or the taxpayer's separate charitable contributions and payments of Federal income taxes allocable to his separate income and made during the taxable year (or if the taxable year begins after December 31, 1957, made in respect of such taxable year or any preceding taxable year) exceed 90 percent of his separate taxable income for that year, and *(b)* For which the taxpayer did not file a joint return with his spouse, the aggregate of his charitable contributions and payments of Federal income taxes made during the taxable year (or, if the taxable year begins after December 31, 1957, the payments of income taxes made in respect of such taxable year or any preceding taxable year) exceeds 90 percent of his taxable income for that year.

For the purpose of the preceding sentence, the word *spouse* does not include a spouse from whom the taxpayer has been divorced.

(iii) *Joint return with former spouse for prior taxable year.* A divorced or remarried taxpayer who filed a joint return for a prior taxable year with a former spouse shall, for purposes of applying this paragraph, be treated in the same manner as if he had filed a separate return for such prior taxable year, and as if his Federal income tax liability and taxable income for such prior taxable year were his allocable portions of the joint tax liability and combined taxable income, respectively, for such year.

(iv) *Allocation.* Whenever it is necessary to allocate the joint tax liability or the combined taxable income, or both, for a taxable year for which a joint return was filed, a computation shall be made for the taxpayer and for his spouse or former spouse showing for each of them the Federal income taxes and taxable income which would be determined if separate returns had been filed by them for such taxable year. The joint tax liability and conbined taxable income for such taxable year shall then be allocated proportionately to the income taxes and taxable income, respectively, so computed. Whenever it is necessary to determine the separate payments made by a taxpayer in respect of a joint tax liability, the amount paid by him during the taxable year as estimated tax (exclusive of any portion of such amount for taxable years beginning after December 31, 1966, which is attributable to the self-employment tax imposed by Chapter 2) for that year shall be included to the extent it does not exceed his allocable portion of the joint tax under Chapter 1 (exclusive of tax under section 56) for the taxable year, and any amount paid by him for a prior year (whether as the final installment of estimated tax—exclusive of any portion of such installment, for taxable years beginning after December 31, 1966, which is attributable to the self-employment tax imposed by Chapter 2—for the preceding taxable year, or a final payment for the preceding year, or the payment of a deficiency for an earlier year) shall be included to the extent such amount, when added to amounts previously paid by him for such prior year, does not exceed his allocable portion of the joint tax liability for the prior year.

(d) *Denial of deduction in case of certain transfers in trust*—(1) *Reversionary interest in grantor.* No charitable deduction will be allowed for the value of any interest in property transferred to a trust after March 9, 1954, if the grantor at the time of the transfer has a reversionary interest in the corpus or income and the value of such reversionary interest exceeds 5 percent of the total value on which the charitable deduction would, but for section 170(b)(1)(D), be determined. For purposes of this paragraph, the term *reversionary interest* means a possibility that after the possession or enjoyment of

property or its income has been obtained by a charitable donee, the property or its income may revest in the grantor or his estate, or may be subject to a power exercisable by the grantor or a nonadverse party (within the meaning of section 672 (b)), or both, to revest in, or return to or for the benefit of, the grantor or his estate the property or income therefrom. An interest of the grantor which, in any event, will terminate before the ripening of the assured charitable gift for which a deduction is claimed is not considered a reversionary interest for purposes of this section. For example, assume that a taxpayer conveyed property to a trust under the terms of which the income is payable to the taxpayer's wife for her life, and, if she predeceases him, to him for his life, and after the death of both the property is to be transferred to a charitable organization.

(2) *Valuation of interests.* The present value of the remainder interest in the property, taking into account the value of the life estates reserved to the taxpayer and his wife, may be allowed as a charitable deduction. Where the corpus of the trust is to return to the grantor after a number of years certain, the value of the reversionary interest at the time of the transfer may be computed by the use of tables showing the present value at 3 1/2 percent a year, compuounded annually, of $1 payable at the end of a number of years certain. See paragraph (f), Table II, of §20.2031–7 of this chapter (Estate Tax Regulations). Where the value of a reversionary interest is dependent upon the continuation or termination of the life of one or more persons, it must be determined on the basis of Table 38 of United States Life Tables and Actuarial Tables 1939–1941, published by the United States Department of Commerce, Bureau of the Census, and interest at the rate of 3 1/2 percent a year, compounded annually. See paragraph (f), Table I, of §20.2031–7 of this chapter (Estate Tax Regulations) for valuations based on one life, and ''Actuarial Values for Estate and Gift Tax'' (Internal Revenue Service Publication No. 11, Rev. 5–59) for values based on more than one life. In an actual case (not merely hypothetical), the grantor or his legal representative may, upon request, obtain the information necessary to determine such a value from the district director with whom the grantor files his return. The request must be accompanied by a statement showing the date of birth of each person the duration of whose life may affect the value of the reversionary interest and by copies of the instruments relevant to the transfer.

(e) *Fiscal years and short taxable years ending after March 9, 1954, subject to the Internal Revenue Code of 1939.* Pursuant to section 7851(a)(1)(C) of the Internal Revenue Code of 1954, the regulations prescribed in paragraph (d) of this section, to the extent that they relate to transfers in trust occurring after March 9, 1954, shall apply to all taxable years ending after March 9, 1954, even though those years may be subject to the Internal Revenue Code of 1939.

(f) *Amounts paid to maintain certain students as members of the taxpayer's household*—(1) *In General.* (i) For taxable years beginning after December 31, 1959, the term *charitable contribution* includes amounts paid by the taxpayer during the taxable year to maintain certain students as members of his household which, under the provisions of section 170(d) and this paragraph, are treated as amounts paid for the use of an organization described in section 170(c) (2), (3), or (4), and such amounts, to the extent they do not exceed the limitations under section 170(d)(2) and paragraph (f)(2) of this section, are deductible contributions under section 170. In order for such amounts to be so treated, the student must be an individual who is neither a dependent (as defined in section 152) of the taxpayer nor related to the taxpayer in a manner described in any of the paragraphs (1) through (8) of section 152(a), and such individual must be a member of the taxpayer's household pursuant to a written agreement between the taxpayer and an organization described in section 170(c) (2), (3), or (4) to implement a program of the organization to provide educational opportunities for pupils or students placed in private homes by such organization. Furthermore, such amounts must be paid to maintain such individual during the period in the taxable year he is a member of the taxpayer's household and is

a full-time pupil or student in the twelfth or any lower grade at an educational institution (as defined in section 151(e)(4)) located in the United States. Amounts paid outside of the period (but within the taxable year) for expenses necessary for the maintenance of the student during the period will qualify for the charitable deduction if the other limitation requirements of the section are met.

(ii) For purposes of paragraph (i) of this section, amounts treated as charitable contributions include only those amounts actually paid by the taxpayer during the taxable year which are directly attributable to the maintenance of the student while he is a member of the taxpayer's household and is attending school on a full-time basis. This would include amounts paid to ensure the well-being of the individual and to carry out the purpose for which the individual was placed in the taxpayer's home. For example, a deduction would be allowed for amounts paid for books, tuition, food, clothing, transportation, medical and dental care, and recreation for the individual. Amounts treated as charitable contributions under this paragraph do not include amounts which the taxpayer would have expended had the student not been in the household. They would not include, for example, amounts paid in connection with the taxpayer's home for taxes, insurance, interest on a mortgage, repairs, etc. Moreover, such amounts do not include any depreciation sustained by the taxpayer in maintaining such student or students in his household, nor do they include the value of any services rendered on behalf of such student or students by the taxpayer or any member of the taxpayer's household.

(iii) For purposes of section 170(d) and this paragraph, an individual will be considered to be a full-time pupil or student at an educational institution only if he is enrolled for a course of study (prescribed for a full-time student) at such institution and is attending classes on a full-time basis. Nevertheless, such individual may be absent from school due to special circumstances and still be considered to be in full-time attendance. Periods during the regular school term when the school is closed for holidays, such as Christmas and Easter, and for periods between semesters are treated as periods during which the pupil or student is in full-time attendance at the school. Also, absences during the regular school term due to illness of such individual shall not prevent him from being considered as a full-time pupil or student. Similarly, absences from the taxpayer's household due to special circumstances will not disqualify the student as a member of the household. Summer vacations between regular school terms are not considered periods of school attendance.

(iv) As in the case of other charitable deductions, any deduction claimed for amounts described in section 170(d) and this paragraph which are treated as charitable contributions under section 170(c) is subject to verification by the district director. When claiming a deduction for such amounts, the taxpayer should submit a copy of his agreement with the organization sponsoring the individual placed in the taxpayer's household together with a summary of the various items for which amounts were paid to maintain such individual, and a statement as to the date the individual became a member of the household and the period of his attendance at school and the name and location of such school. Substantiation of amounts claimed must be supported by adequate records of the amounts actually paid. Due to the nature of certain items, such as food, a record of amounts spent for all members of the household, with an equal portion thereof allocated to each member, will be acceptable.

(2) *Limitations.* Section 170(d) and this paragraph shall apply to amounts paid during the taxable year only to the extent that the amounts paid in maintaining each pupil or student do not exceed $50 multiplied by the number of full calendar months in the taxable year that the pupil or student is maintained in accordance with the provisions of this paragraph. For purposes of such limitation, if 15 or more days of a calendar month fall within the period to which the maintenance of such pupil or student relates, such month is considered as a full calendar month. To the extent that such amounts qualify

as charitable contributions under section 170(c), the aggregate of such amounts plus other contributions made during the taxable year is deductible under section 170, subject to the 20-percent limitation provided in section 170(b)(1)(B). Also, see §1.170–2(a)(1).

(3) *Compensation or reimbursement.* Amounts paid during the taxable year to maintain a pupil or student as a member of the taxpayer's household, as provided in paragraph (f)(1) of this section, shall not be taken into account under section 170(d) of this paragraph, if the taxpayer receives any money or other property as compensation or reimbursement for any portion of such amounts. The taxpayer will not be denied the benefits of section 170(d) if he prepays an extraordinary or nonrecurring expense, such as a hospital bill or vacation trip, at the request of the individual's parents or the sponsoring organization and is reimbursed for such prepayment. The value of services performed by the pupil or student in attending to ordinary chores of the household will not generally be considered to constitute compensation or reimbursement. However, if the pupil or student is taken into the taxpayer's household to replace a former employee of the taxpayer or gratuitously to perform substantial services for the taxpayer, the facts and circumstances may warrant a conclusion that the taxpayer received reimbursement for maintaining the pupil or student.

(4) *No other amount allowed as deduction.* Except to the extent that amounts described in section 170(d) and this paragraph are treated as charitable contributions under section 170(c) and, therefore, deductible under section 170(a), no deduction is allowed for any amount paid to maintain an individual, as a member of the taxpayer's household, in accordance with the provisions of section 170(d) and this paragraph.

(5) *Examples.* Application of the provisions of this paragraph may be illustrated by the following examples:

Example 1. The X organization is an organization described in section 170(c)(2) and is engaged in a program under which a number of European children are placed in the homes of United States residents in order to further the children's high school education. In accordance with the provisions of subparagraph (1) of this paragraph, the taxpayer, A, who reports his income on the calendar year basis, agreed with X to take two of the children, and they were placed in the taxpayer's home on January 2, 1960, where they remained until January 21, 1961, during which time they were fully maintained by the taxpayer. The children enrolled at the local high school for the full course of study prescribed for tenth grade students and attended the school on a full-time basis for the spring semester starting January 18, 1960, and ending June 3, 1960, and for the fall semester starting September 1, 1960, and ending January 13, 1961. The total cost of food paid by A in 1960 for himself, his wife, and the two children amounted to $1,920, or $40 per month for each member of the household. Since the children were actually full-time students for only 8 1/2 months during 1960, the amount paid for food for each child during that period amounted to $340. Other amounts paid during the 8 1/2 month period for each child for laundry, lights, water, recreation, and school supplies amounted to $160. Thus, the amounts treated under section 170(d) and this paragraph as paid for the use of X would, with respect to each child, total $500 ($340+$160), or a total for both children of $1,000, subject to the limitations of subparagraph (2) of this paragraph. Since, for purposes of such limitations, the children were full-time students for only 8 full calendar months during 1960 (less than 15 days in January 1960), the taxpayer may treat only $800 as a charitable contribution made in 1960, that is, $50 multiplied by the 8 full calendar months, or $400 paid for the maintenance of each child. Neither the excess payments nor amounts paid to maintain the children during the period before school opened and for the period in summer between regular school terms is taken into account by reason of section 170(d). Also, because the children were full-time students for less than 15 days in January 1961 (although maintained in the taxpayer's household for 21 days), amounts paid to maintain the children during 1961 would not qualify as a charitable contribution.

Example 2. A religious organization described in section 170(c)(2) has a program for providing educational opportunities for children it places in private homes. In order to implement the program, the taxpayer, H, who resides with his wife, son, and daughter of high school age in a town in the United States, signs an agreement with the organization to maintain a girl sponsored by the organization as a member of his household while the child attends the local high school for the regular 1960–61 school year. The child is a full-time student at the school during the school year starting September 6, 1960, and ending June 6, 1961, and is a member of the taxpayer's household during that period.

Although the taxpayer pays $200 during the school period falling in 1960, and $240 during the school period falling in 1961, to maintain the child, he cannot claim either amount as a charitable contribution because the child's parents, from time to time during the school year, send butter, eggs, meat, and vegetables to H to help defray the expenses of maintaining the child. This is considered property received as reimbursement under subparagraph (3) of this paragraph. Had her parents not contributed the food, the fact that the child, in addition to the normal chores she shared with the taxpayer's daughter, such as cleaning their own rooms and helping with the shopping and cooking, was responsible for the family laundry and for the heavy cleaning of the entire house while the taxpayer's daughter had no comparable responsibilities would also preclude a claim for a charitable deduction. These substantial gratuitous services are considered property received as reimbursement under subparagraph (3) of this paragraph.

Example 3. A taxpayer resides with his wife in a city in the eastern United States. He agrees, in writing, with a fraternal society described in section 170(c)(4) to accept a child selected by the society for maintenance by him as a member of his household during 1961 in order that the child may attend the local grammar school as a part of the society's program to provide elementary education for certain children selected by it. The taxpayer maintains the child, who has as his principal place of abode the home of the taxpayer, and is a member of the taxpayer's household, during the entire year 1961. The child is a full-time student at the local grammar school for 9 full calendar months during the year. Under the agreement, the society pays the taxpayer $30 per month to help maintain the child. Since the $30 per month is considered as compensation or reimbursement to the taxpayer for some portion of the maintenance paid on behalf of the child, no amounts paid with respect to such maintenance can be treated as amounts paid in accordance with section 170(d). In the absence of the $30 per month payments, if the child qualifies as a dependent of the taxpayer under section 152(a)(9), that fact would also prevent the maintenance payments from being treated as charitable contributions paid for the use of the fraternal society.

(g) *Charitable contributions carryover of individuals*—(1) *Computation of excess charitable contributions made in contribution year.* Subject to certain conditions and limitations, the excess of:

(i) The amount of the charitable contributions made by an individual in a taxable year beginning after December 31, 1963 (hereinafter in this paragraph referred to as the ''contribution year''), to organizations specified in section 170(b)(1)(A) (see paragraph (b) of this section), over

(ii) Thirty percent of his adjusted gross income (computed without regard to any net operating loss carryback to such year under section 172) for such contribution year, shall be treated as a charitable contribution paid by him to an organization specified in section 170(b)(1)(A) and paragraph (b) of this section, relating to the additional 10-percent deduction, in each of the 5 taxable years immediately succeeding the contribution year in order of time. (For provisions requiring a reduction of such excess, see subparagraph (5) of this paragraph.) The provisions of this subparagraph apply even though the taxpayer elects under section 144 to take the standard deduction in the contribution year instead of itemizing the deductions (other than those specified in sections 62 and 151) allowable in computing taxable income for the contribution year. No excess charitable contribution carryover shall be allowed with respect to contributions ''for the use of'' rather than ''to'' organizations described in section 170(b)(1)(A) and paragraph (b) of this section or with respect to contributions made ''to'' or ''for the use of'' organizations which are not described in such sections. The provisions of section 170(b)(5) and this paragraph are not applicable in the case of estates or trusts, see section 642(c), relating to deductions for amounts paid or permanently set aside for a charitable purpose, and the regulations thereunder. The provisions of this subparagraph may be illustrated by the following examples:

Example 1. Assume that H and W (husband and wife) have adjusted gross income for 1964 of $50,000 and for 1965 of $40,000 and file a joint return for each year. Assume further that in 1964 they contribute $16,500 to a church and $1,000 to X (an organization not referred to in section 170(b)(1)(A)) and in 1965 contribute $11,000 to the church and $400 to X. They may claim a charitable contribution deduction of $15,000 in 1964, and the excess of $16,500 (contribution to the church) over $15,000 (30 percent of adjusted gross income) or $1,500 constitutes a charitable contribution carryover which shall be treated as a charitable contribution paid by them to an organization referred to in section 170(b)(1)(A) in each of the 5 succeeding taxable years in order of time. No carryover is

allowed with respect to the $1,000 contribution made to X in 1964. Since 30 percent of their adjusted gross income for 1965 ($12,000) exceeds the charitable contributions of $11,000 made by them in 1965 to organizations referred to in section 170(b)(1)(A) (computed without regard to section 170(b)(5) and this paragraph) the portion of the 1964 carryover equal to such excess of $1,000 ($12,000 minus $11,000) is treated, pursuant to the provisions of subparagraph (2) of this paragraph, as paid to a section 170(b)(1)(A) organization in 1965; the remaining $500 constitutes an unused charitable contribution carryover. No carryover is allowed with respect to the $400 contribution made to X in 1965.

Example 2. Assume the same facts as in *Example (1)* except that H and W have adjusted gross income for 1965 of $42,000. Since 30 percent of their adjusted gross income for 1965 ($12,600) exceeds by $1,600 the charitable contribution of $11,000 made by them in 1965 to organizations referred to in section 170(b)(1)(A) (computed without regard to section 170(b)(5) and this paragraph), the full amount of the 1964 carryover of $1,500 is treated, pursuant to the provisions of subparagraph (2) of this paragraph, as paid to a section 170(b)(1)(A) organization in 1965. They may also claim a charitable contribution of $100 ($12,600 −$12,500 ($11,000+$1,500)) with respect to the gift to X in 1965. No carryover is allowed with respect to the $300 ($400−$100) of the contribution to X which is not deductible in 1965.

(2) *Determination of amount treated as paid in taxable years succeeding contribution year.* Notwithstanding the provisions of subparagraph (1) of this paragraph, the amount of the excess computed in accordance with the provisions of subparagraphs (1) and (5) of this paragraph which is to be treated as paid in any one of the 5 taxable years immediately succeeding the contribution year to an organization specified in section 170(b)(1)(A) shall not exceed the lesser of the amount computed under subdivision (i) or (ii) of this subparagraph:

(i) The amount by which *(a)* 30 percent of the taxpayer's adjusted gross income for such succeeding taxable year (computed without regard to any net operating loss carryback to such succeeding taxable year under section 172) exceeds *(b)* the sum of *(1)* the charitable contributions actually made (computed without regard to the provisions of section 170(b)(5) and this paragraph) by the taxpayer in such succeeding taxable year to organizations referred to in section 170(b)(1)(A), and (2) the charitable contributions made to organizations referred to in section 170(b)(1)(A) in taxable years (excluding any taxable year beginning before January 1, 1964) preceding the contribution year which, pursuant to the provisions of section 170(b)(5) and this paragraph, are treated as having been paid to an organization referred to in section 170(b)(1)(A) in such succeeding year.

(ii) In the case of the first taxable year succeeding the contribution year, the amount of the excess charitable contribution in the contribution year, computed under subparagraphs (1) and (5) of this paragraph. In the case of the second, third, fourth, and fifth succeeding taxable years, the portion of the excess charitable contribution in the contribution year (computed under subparagraphs (1) and (5) of this paragraph) which has not been treated as paid to a section 170(b)(1)(A) organization in a year intervening between the contribution year and such succeeding taxable year.

If a taxpayer, in any one of the four taxable years succeeding a contribution year, elects under section 144 to take the standard deduction in the amount provided for in section 141 instead of itemizing the deductions (other than those specified in sections 62 and 151) allowable in computing taxable income, there shall be treated as paid (but not allowable as a deduction) in the standard deduction year the amount determined under subdivision (i) or (ii) of this subparagraph, whichever is the lesser. The provisions of this subparagraph may be illustrated by the following examples:

Example 1. Assume that B has adjusted gross income for 1966 of $20,000 and for 1967 of $30,000. Assume further that in 1966 B contributed $8,000 to a church and in 1967 he contributes $7,500 to the church. B may claim a charitable contribution deduction of $6,000 in 1966, and the excess of $8,000 (contribution to the church) over $6,000 (30 percent of B's adjusted gross income) or $2,000 constitutes a charitable contribution carryover which shall be treated as a charitable contribution paid by B to an organization referred to in section 170(b)(1)(A) in the 5 taxable years succeeding 1966 in order of time. (B made no excess contributions in 1964 or 1965 which should be treated as paid in years succeeding 1964 or 1965.) B may claim a charitable contribution deduction of $9,000 in 1967. Such $9,000 consists of the $7,500 contribution to

the church in 1967 and $1,500 carried over from 1966 and treated as a charitable contribution paid to a section 170(b)(1)(A) organization in 1967. The $1,500 contribution treated as paid in 1967 is computed as follows:

1966 excess contributions		$2,000
30 percent of B's adjusted gross income for 1967		9,000
Less:		
Contributions actually made in 1967 to section 170(b)(1)(A) organizations	$7,500	
Contributions made to section 170(b)(1)(A) organizations in taxable years prior to 1966 treated as having been paid in 1967	0	7,500
		1,500
Amount of 1966 excess treated as paid in 1967—the lesser of $2,000 (1966 excess contributions) or $1,500 (30 percent of adjusted gross income for 1967 ($9,000) over the section 170(b)(1)(A) contributions actually made in 1967 ($7,500) and the section 170(b)(1)(A) contributions made in years prior to 1966 treated as having been paid in 1967 (0))		1,500

If the excess contributions made by B in 1966 had been $1,000 instead of $2,000, then, for purposes of this example, the amount of the 1966 excess treated as paid in 1967 would be $1,000 rather than $1,500.

Example 2. Assume the same facts as in *Example (1),* and, in addition, that B has adjusted gross income for 1968 of $10,000 and for 1969 of $20,000. Assume further with respect to 1968 that B elects under section 144 to take the standard deduction in computing taxable income and that his actual contributions to organizations specified in section 170(b)(1)(A) are $300. Assume further with respect to 1969, that B itemizes his deductions which include a $5,000 contribution to a church. B's deductions for 1968 are not increased by reason of the $500 available as a charitable contribution carryover from 1966 (excess contributions made in 1966 ($2,000) less the amount of such excess treated as paid in 1967 ($1,500)) since B elected to take the standard deduction in 1968. However, for purposes of determining the amount of the excess charitable contributions made in 1966 which is available as a carryover to 1969, B is required to treat such $500 as a charitable contribution paid in 1968—the lesser of $500 or $2,700 (30 percent of adjusted gross income ($3,000) over contributions actually made in 1968 to section 170(b)(1)(A) organizations ($300)). Therefore, even though the $5,000 contribution made by B in 1969 to a church does not amount to 30 percent of B's adjusted gross income for 1969 (30 percent of $20,000=$6,000), B may claim a charitable contribution deduction of only the $5,000 actually paid in 1969 since the entire excess charitable contribution made in 1966 ($2,000) has been treated as paid in 1967 ($1,500) and 1968 ($500).

Example 3. Assume the following factual situation for C who itemizes his deductions in computing taxable income for each of the years set forth in the example:

	1964	1965	1966	1967	1968
Adjusted gross income	$10,000	$7,000	$15,000	$10,000	$9,000
Contributions to section 170(b)(1)(A) organizations (no other contributions)	4,000	3,000	5,000	1,000	1,500
Allowable charitable contributions deductions computed without regard to carryover of contributions	3,000	2,100	4,500	1,000	1,500
Excess contributions for taxable year to be treated as paid in 5 succeeding taxable years	1,000	900	500	0	0

Since C's contributions in 1967 and 1968 to section 170(b)(1)(A) organizations are less than 30 percent of his adjusted gross income for such years, the excess contributions for 1964, 1965, and 1966 are treated as having been paid to section 170(b)(1)(A) organizations in 1967 and 1968 as follows:

	1967		
Contribution year	*Total excess*	*Less: Amount treated as paid in year prior to 1967*	*Available charitable contribution carryovers*
1964	$1,000	0	$1,000